

## **TAX ALLOCATION DISTRICTS IN GEORGIA:**

### **AN OVERVIEW**

#### **What is a tax allocation district?**

A tax allocation district, or TAD, is a tool used to pay for infrastructure and other improvements in underdeveloped or blighted areas so that the property becomes productive and enhances the surrounding neighborhoods. As property within the TAD is redeveloped and improved, the City receives new property tax revenues as a result of the increased property values. This new revenue is used to make improvements in the TAD without raising taxes or dipping into the City's current tax revenues. The City's investment in the TAD is repaid through improved properties that become permanent sources of increased property tax revenues.

#### **How does a TAD work?**

The City designates an area in need of redevelopment, adopts a redevelopment plan outlining how the area will be developed, and creates the TAD. The County Commission and School Board consent to including their share of the new tax revenues, or tax increment, in the TAD. The current value of the tax digest in the area is set as a base, and the City, County, and School Board continue to receive taxes on that value for the life of the TAD. As vacant and dilapidated properties are developed, the property values within the TAD increase. New tax revenues from this increased value are placed into a special fund to pay for redevelopment costs or to issue bonds to finance the improvements.

#### **How does a TAD differ from an enterprise zone?**

When an enterprise zone is created, property taxes are fully abated for the first five years and then gradually increased for the next five years. Conversely, when a TAD is created, property owners continue to pay property taxes at the full millage rate levied by the City and County. With a TAD, the local governments continue to receive the same amount of property taxes collected when the TAD was created. Any incremental increase in property tax revenues resulting from growth in property values within the TAD is deposited into the special fund for payment of redevelopment costs.

#### **Will creating a TAD cause a tax increase?**

No. The property tax millage rate stays the same as before the TAD was created. In fact, the additional tax revenues received as a result of the increased value of newly developed or redeveloped property can relieve the tax burden on other properties. For example, if a vacant lot is developed into a retail center with loft housing, which has significantly higher value than the previous use, the new tax revenues will lessen the burden on other property owners. In addition, the new development in the TAD may stimulate other development in the surrounding area, adding more new property taxes to the City's coffers. New retail development also generates increased sales tax revenues, which further benefit existing taxpayers.

### **Is there a limit on the number or size of TADs the City can create?**

State law provides that a local government may not create another TAD when the total taxable value of the existing TADs plus the proposed TAD exceeds ten percent of the taxable value of the total digest. The current City of Atlanta TADs, Atlantic Station and Westside, together constitute 1.5 percent of the City digest. The proposed Princeton Lakes TAD will add only another .018 percent of taxable value. The value of the proposed Northwest TAD totals 1.05% of the digest.

### **Why can't the City support large redevelopment and development projects without using TADs?**

Without TADs, the money for new infrastructure would have to be paid from the City's current revenues. The West Highlands at Perry project in the Northwest Atlanta TAD and the Princeton Lakes project each need about \$25 million in new infrastructure. Each development needs water and sewer systems, roads, bridges, sidewalks, trails, parks, and other public infrastructure. If the TADs are not created, the City could only afford to provide a fraction of the amount needed, and that funding would come at the expense of other local needs.

### **Do other cities provide this type of financing?**

In the 1960s and 1970s, federal and state governments began cutting back economic development programs that could be used to revitalize communities. Tax increment financing, or TIF, as it is known elsewhere, has become a popular tool to attract new business, invest in infrastructure improvements, and rebuild blighted areas. TIFs are used in 44 states to stimulate development and redevelopment. Illinois has over 400 TIFs – 120 in Chicago alone. The TIF program has been credited with providing the catalyst for the dramatic renaissance of downtown Chicago.

Portland, Oregon has created ten TIFs, including the Gateway Regional Center, a project that includes transportation improvements, new housing, mixed-use development, and public facilities in a 653-acre area covering three neighborhoods. Kansas City, Missouri also has used TIFs successfully both to facilitate site-specific developments and to stimulate development in large blighted areas. The Midtown Market Place project involved demolishing over 140 blighted properties within a 22-acre site and rebuilding a mixed-use development with office, retail, and residential elements.

### **How have TADs been used in Georgia?**

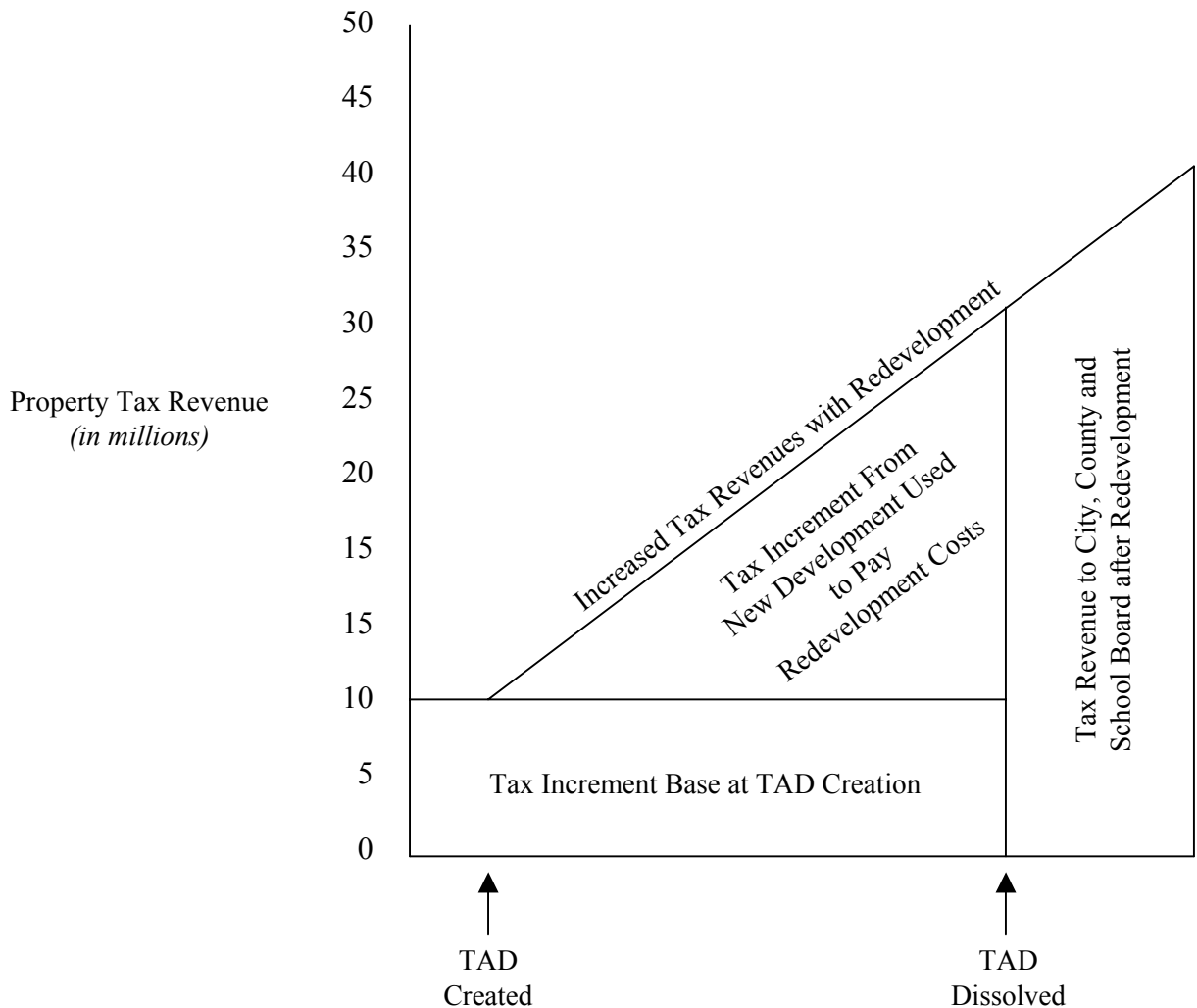
The City of Atlanta has created two TADs, Atlantic Steel and Westside. The Atlantic Steel TAD has been used to finance infrastructure for the Atlantic Station development west of Midtown, which at completion is projected to have 10,000 new residents, 30,000 new jobs, several million square feet of retail, entertainment, and office space, and parks, trails, and a lake. The first phase is under construction.

Bonds were issued for the Westside TAD to finance infrastructure for (i) two residential projects near Centennial Park, Museum Tower at Centennial Hill and Atlanta Centennial House, (ii)

Historic Westside Village, a transit-oriented mixed use development; and (iii) Northyards Business Park, the redevelopment of historic railroad facilities into loft offices. A portion of the proceeds was dedicated to neighborhood improvements in the English Avenue and Vine City areas, and funding was provided for Centennial Place Elementary School.

The City of East Point issued bonds for the Camp Creek TAD (just east of the Princeton Lakes development) to finance infrastructure needed for the 700,000 square foot Camp Creek MarketPlace and a five million square foot business park.

## EXAMPLE:



In this example, the City approves a TAD in an area in which the property values at the time of creation of the TAD generate annual tax revenues of \$10 million. The City, County and School Board receive that Revenue – the “tax increment base” – during the life of the TAD.

As redevelopment begins, new infrastructure is built and new homes, shops and businesses are developed. The property values rise, creating new tax revenues – the “positive tax increment” – used to finance the redevelopment costs. Once the work is complete, the TAD is dissolved, and the City, County and School Board begin receiving \$40 million in tax revenues.